

- a. Goodwill purchased is includable in equity capital.
 - b. Organization Expense. Expenses incurred in organizing the business are includable in equity capital. (Net of Amortization)
 - c. Discounts on Bonds Payable. This account represents a deferred charge to income and is includable in equity capital. Other asset amounts not related to patient care should be removed in column 2.
6. LINES 37, 38 - LOANS FROM OWNERS. Do not make adjustments in column 2 with respect to funds borrowed by basic IC or IC/MR facilities prior to July 1, 1975 or by Skilled Nursing facilities prior to December 1, 1979, provided the terms and conditions of the loan agreement have not been modified subsequent to July 1, 1975, or December 1, 1979, respectively. Such loans are considered a liability in computing equity capital since interest expense related to such loans is included in allowable costs.

Where the terms and conditions of payment of loans made prior to July 1, 1975 for IC facilities and December 1, 1979 for Skilled Nursing facilities, have been modified subsequent to July 1, 1975 and December 1, 1979, respectively, such loans are not included as a liability in column 6, and therefore should be adjusted in column 5. Loans made by owners after these dates are also treated in this manner.

- C. For Schedule C, lines 1-45, adjust the amounts entered in column 1 (increase and decrease) by the amounts entered in column 2 and extend the net amounts to column 3. Column 3 is provided for the listing of the balance sheet amounts which represent equity capital for Program purposes at the end of the reporting period.

804. SCHEDULE C-1 - ADJUSTMENT TO EQUITY CAPITAL:

This schedule shall be used to explain all adjustments made by the facility on Schedule C, column 2, in order to arrive at the adjusted balance sheet for equity capital purposes.

805. OVERVIEW OF THE ALLOCATION PROCESS - SCHEDULES D-1 THROUGH D-5

These schedules provide for separating the operating expenses from the facility's financial records into five (5) cost categories: 1) Nursing Services Costs, 2) Other Care Related Costs, 3) Other Operating Costs, 4) Capital Costs and 5) Ancillary Costs. These schedules also provide for any necessary adjustments and reclassifications to certain accounts. Schedules D-1 through D-5 must be completed by all facilities. All accounts that can be identified as belonging to a specific cost center shall be reported to the appropriate section of Schedules D-1 through D-5.

All listed accounts will not apply to all providers and some providers may have accounts in addition to those listed. These shall be listed on the lines labeled "Other Expense."

The flow of the Schedules D-1 through D-4 is identical. Salaries shall be reported on the salaries lines and all salaries for each cost center shall be sub-totaled on the appropriate line. The entries to the columns on these schedules shall be as follows:

- A. Column 2. The expenses in this column must agree with the provider's accounting books and records.
- B. Column 3. This column is utilized for reclassification of expenses as appropriate. Such reclassifications shall be detailed on Schedule D-6.
- C. Column 4. This column is for adjustments to allowable costs as may be necessary in accordance with the general policies and principles. All adjustments shall be detailed on Schedule D-7.
- D. Column 5. Enter the sum of columns 2, 3, and 4.
- E. COLUMN 6. This column shall be completed for each line for which an entry is made to Column 5 in order to indicate the basis of the separation of the costs reported to Column 5 between Column 7 (Certified Nursing Facility Alloc. of Costs) and Column 8 (Non-Certified and Non-Nursing Facility Alloc. of Costs). A "D" shall be entered to this column on each line on which the adjusted costs (Column 5) are direct costed between Columns 7 and 8. An "A" shall be entered to this column

on each line on which the adjusted costs in Column 5 are allocated between Columns 7 and 8 on the basis of the allocation ratios on Schedule F. All accounts which can be direct costed from the provider's records shall be direct costed to Columns 7 and 8. Accounts which are direct costed shall be direct costed in full. Any accounts which cannot be direct costed shall be allocated using statistics from Schedule F. Providers shall ensure that all costs which are reported to Column 7 are reasonable, necessary and related to CNF patient care.

F. Columns 7 and 8. The adjusted balance figures from Column 5 are to be allocated between Certified Nursing Facility Costs (Column 6) and Non-Certified and Non-Facility Costs (Column 7). Any accounts that cannot be direct costed shall be allocated using statistics from Schedule F. All costs entered to Column 7 shall be reviewed by the provider to ensure that they are necessary, reasonable, and related to CNF patient care.

G. Column 9: This column shall be completed only by Hospital-Based providers. Instructions regarding this column can be found in the instructions for the Schedules which include Column 9 (i.e. D-3 and D-4).

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806. Schedule D-1 - NURSING SERVICES COST

A. The costs associated with nursing services which shall be included in the nursing service cost category include:

1. nursing assessment of the health status of the resident and planning of appropriate interventions to overcome identified problems and maximize resident strengths;
2. bedside care and services;
3. administration of oral, sublingual, rectal, and local medications topically applied, and appropriate recording of the resident's responses;
4. training, assistance, and encouragement for self-care as required for feeding, grooming, ambulation, toilet, and other activities of daily living including movement within the nursing home facility;

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5. supportive assistance and training in resident transfer techniques including transfer from bed to wheelchair or wheelchair to commode;
6. care of residents with behavior problems and severe emotional problems requiring nursing care or supervision;
7. administration of oxygen;
8. use of nebulizers;
9. maintenance care of resident's colostomy, illeostomy, and urostomy;
10. administration of parenteral medications, including intravenous solutions;
11. administration of tube feedings;
12. nasopharyngeal aspiration required for maintenance of a clean airway;

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13. care of suprapubic catheters and urethral catheters;
14. care of tracheostomy, gastrostomy, and other tubes in a body;
15. costs of equipment and supplies that are used to complement the services in the nursing service cost category including incontinence pads, dressings, bandages, enemas, enema equipment, diapers, thermometers, hypodermic needles and syringes, and clinical reagents or similar diagnostic agents;
16. costs for education or training including the cost of lodging and meals of nursing service personnel;
17. the salaries and wages of persons performing nursing services including salaries of the director, and assistant director of nursing, supervising nurses, medical records personnel, registered professional nurses, licensed practical nurses, nurses aides, orderlies, and attendants;

18. the salaries or fees of medical directors, physicians, or other professionals performing consulting services on medical care which are not reimbursed separately on a fee for service basis; and
19. the costs of travel necessary for training programs for nursing personnel required to maintain licensure, certification, or professional standards.

B. If an account can be direct costed, the amount carried to Column 5 (Adjusted Balance) shall be direct costed in the appropriate amount(s) to the proper column(s) (either Column 7, Certified Nursing Facility Costs, or Column 8, Non-Certified and Non-Nursing Facility Costs). Any account that is direct costed shall be directed costed in full. Any account which cannot be direct costed shall be allocated using Schedule F, Statistic A. Multiply the Column 5 amount by the CNF percentage from Schedule F, Statistic A, and enter the product in Column 7. Subtract Column 7 from Column 5 and enter the result in Column 8. Providers shall ensure that all costs reported to Column 7 are necessary, reasonable, and related to CNF patient care.